



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

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November 19, 2013

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**AMENDMENT NO. 3 TO LEASE NO. 72222
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
5100-5110 WEST GOLDFLEAF CIRCLE, LOS ANGELES
(SECOND DISTRICT)
(3 VOTES)**

SUBJECT

This recommendation is for a seven-year lease amendment for 18,521 rentable square feet for the Department of Children and Family Services to provide additional office space and 93 parking spaces.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed lease amendment is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board, per Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Approve and instruct the Chairman to sign a seven-year amendment to the lease with MULLROCK WATERIDGE, LLC (Lessor) for the Department of Children and Family Services (Lessee) for 18,521 additional square feet of office space, and 93 parking spaces located at 5100-5110 West Goldleaf Circle, Los Angeles, for a new total of 70,891 square feet of office space and 405 parking spaces, at an initial maximum annual rental cost of \$2,116,518. The rental costs for the Department of Children and Family Services are approximately 70 percent funded by State and federal funds with the remainder as net County cost.
3. Authorize the Internal Services Department, or the Lessor, at the direction of the Chief Executive

Office, to acquire and install telephone, data, and low voltage systems at a cost not to exceed \$440,000.

4. Authorize the Chief Executive Officer and the Director of Children and Family Services to implement the project. The lease amendment will be effective upon approval by the Board.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Since February 2000, the Department of Children and Family Services (DCFS) has leased office space and parking at the "Wateridge" office facility located at 5100-5110 West Goldleaf Circle, in the unincorporated area of Los Angeles, for the Service Planning Area 6 (SPA 6) regional office. The office has public intake and is in close proximity to public transportation routes.

The proposed lease amendment herein will continue to provide the department with sufficient space for this regional office and the various programs housed at this location.

DCFS provides services to families in crisis with the primary goal of maintaining the family unit and reunifying families as quickly as possible. The program provides comprehensive direct full service child protection systems of prevention, preservation, and permanency planning to ensure that children grow up safe, physically and emotionally healthy, educated, and in permanent homes. The Adoption units are responsible for assessing child adoptability, case management and supervision, and providing services involving the finalization of the adoption process. Revenue Enhancement units provide support to social workers assisting in finding placement for children that must be placed in out-of-home care. The proposed lease amendment will continue to provide housing for these operations, while supporting the department's goal of reuniting families in the shortest period of time possible.

The SPA 6 regional office provides a comprehensive full service direct child protection system dedicated to the safety of children within its care. The reduction of the time line related to child permanency placement within the care of the program, and the reduction of reliance for out-of-home care are key outcome goals. These outcomes are achieved largely through the work of Emergency Response, Family Maintenance and Reunification, and Permanent Placement Children's Social Workers, in collaboration with support staff, and staff from other departments co-located at this office.

In addition, smaller programs designed to enhance direct services to children and families are also housed within this facility. Examples include Family Group and Team Decision Making, Department of Mental Health/DCFS collaboration for improving mental health, and permanency outcomes for foster children, Adoption Safe Families Act staff, Department of Public Social Services' Linkages, and contracted Education Liaisons.

The facility currently houses approximately 392 staff positions and services approximately 80 client visits per day. The lease amendment will provide 80 new staff for a total of 472 staff positions. Parking is provided in the facility parking structure.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Operational Effectiveness (Goal 1) directs that we maximize the effectiveness of process, structure, and operations to support timely delivery of customer-oriented and efficient public services. In this case, the County is supporting this goal by providing an office in or near the community it serves to increase effectiveness, enhance customer service, and

provide responsive services to the public. The lease amendment is in conformance with the Asset Management Principles as outlined in Attachment A.

FISCAL IMPACT/FINANCING

The proposed lease amendment will provide the County the additional use of 18,521 square feet of office space and 93 on-site parking spaces at a monthly base rent of \$38,894 per month, or \$466,729 annually, i.e., \$2.10 per square foot per month. A Tenant Improvement (TI) allowance of \$221,852 is included in the base rent, and an additional TI allowance of \$1,389,075 is available for improvement of the premises. The annual reimbursable payments may amount to \$330,064 if all the additional TI allowance is expended and amortized over five years at 7 percent interest.

This is a full-service gross lease whereby the Lessor is responsible for all operating costs associated with the County's occupancy. The rent is subject to CPI increases capped at 3 percent in lieu of the previous annual fixed increases of 3 percent, and operating expense pass-through increases capped at 6 percent annually. Parking is included in the rental rate and will be provided in the on-site secured parking structure(s).

Sufficient funding for the proposed lease costs is included in the Fiscal Year (FY) 2013-14 Rent Expense budget and will be billed back to DCFS. DCFS has sufficient funding in its FY 2013-14 operating budget to cover the projected lease costs. Attachment B is an overview of the lease costs associated with the lease amendment.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed lease amendment will provide use of 18,521 additional square feet of office space and 93 parking spaces. The proposed lease amendment contains the following provisions:

- A seven-year extension of the existing lease term commencing upon completion of the improvements and acceptance by the County.
- A full-service gross basis with the Lessor responsible for all operational and maintenance costs.
- A Base TI allowance of \$222,252, or \$12 per square foot, included in the base rental rate for improvement of the premises.
- A reimbursable additional TI allowance of \$1,389,075, or \$75 per square foot, which may be paid in a lump sum or amortized over five years at an annual interest rate of 7 percent.
- A cancellation provision allowing the County to cancel any time after five years of the extended term with 150 days prior written notice.
- Annual rental rate adjustments based upon CPI with a maximum increase of 3 percent per annum and no floor.

The Chief Executive Office (CEO) Real Estate staff conducted a survey within the search area to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically, nor are there any County-owned or leased facilities available for this program. Based upon said survey, staff has established that the rental range for similar space is between \$20.40 and \$30.00 per square foot

per year on a full-service basis, excluding parking. Thus, the combined base annual rent of \$25.20 per square foot per year on a full-service basis, including parking, for the proposed lease represents a rate within the market range for the area. Attachment C shows County-owned or leased facilities in the proximity of the service area and indicates there are no suitable County-owned or leased facilities available for the program.

The leased premises and related common areas were assessed in regards to Americans with Disabilities Act (ADA) accessibility compliance. A report identifying barriers to accessibility has been completed and provided to the CEO and the department. Pursuant to the report, the CEO, the department, and the Lessor(s) have or will engage in a collaborative effort to address the removal of barriers to improve accessibility to the existing program, services, and activities.

The Department of Public Works has inspected this facility and found it suitable for the County's occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this project is exempt from the California Environmental Quality Act (CEQA) as specified in Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board, and Section 15301 of the State CEQA Guidelines (Existing Facilities).

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease amendment will adequately provide the necessary office space for this County requirement. DCFS concurs with the proposed recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return six originals of the executed lease amendment, two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

The Honorable Board of Supervisors

11/19/2013

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Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. T. Fujioka', with a long horizontal line extending to the right.

WILLIAM T FUJIOKA

Chief Executive Officer

WTF:RLR:CMM

CEM:NCH:gw

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Children and Family Services

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
5100-5110 WEST GOLDLEAF CIRCLE, LOS ANGELES
Asset Management Principles Compliance Form¹

1.	<u>Occupancy</u>	Yes	No	N/A
A	Does lease consolidate administrative functions? ²			X
B	Does lease co-locate with other functions to better serve clients? ²			X
C	Does this lease centralize business support functions? ²			X
D	Does this lease meet the guideline of 200 sq. ft of space per person? ² Ratio = 150 sq.ft. per person based on 472 staff occupancy with additional office.		X	
2.	<u>Capital</u>			
A	Is it a substantial net County cost (NCC) program?		X	
B	Is this a long term County program?	X		
C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		X	
D	If no, are there any suitable County-owned facilities available?		X	
E	If yes, why is lease being recommended over occupancy in County-owned space?			X
F	Is Building Description Report attached as Attachment C?	X		
G	Was build-to-suit or capital project considered? The proposed building is offered at a competitive market rate and County already occupies the facility.		X	
3.	<u>Portfolio Management</u>			
A	Did department utilize CEO Space Request Evaluation (SRE)?	X		
B	Was the space need justified?	X		
C	If a renewal lease, was co-location with other County departments considered?		X	
D	Why was this program not co-located?			X
	1. ____ The program clientele requires a "stand alone" facility.			
	2. <u>X</u> No suitable County occupied properties in project area.			
	3. ____ No County-owned facilities available for the project.			
	4. ____ Could not get City clearance or approval.			
	5. ____ The Program is being co-located.			
E	Is lease a full service lease? ²	X		
F	Has growth projection been considered in space request?			X
G	Has the Dept. of Public Works completed seismic review/approval?	X		
¹ As approved by the Board of Supervisors 11/17/98				
² If not, why not?				

FISCAL IMPACT/FINANCING OVERVIEW OF LEASE CHANGES

5100-5110 West Goldleaf Circle	Existing Lease	Proposed Lease/ Amendment No. 3	Change
Area (square feet)	52,370	70,891*	+ 18,521*
Term	(03/19/2013-03/18/2020)	Seven years upon Board adoption	+ 7 years
Annual Base Rent	\$1,319,724 (\$25.20/sq.ft.)	\$1,786,454* (\$25.20/sq.ft.)	+ \$466,729* (\$0/sq.ft.)
Base TI Allowance (non-reimbursable)	\$628,440 (\$12.00/sq.ft.)	\$850,692 (\$12.00/sq.ft.)	+ \$222,252 (\$0/sq.ft.)
Additional TI Allowance	None per Amendment 2	\$1,389,075 (\$75.00/sq.ft.)	+ \$1,389,075 (\$75/sq.ft.)
Max Annual Rent	\$1,319,724 (\$25.20/sq.ft.)	\$2,116,518** (\$29.86/sq.ft.)	+ \$796,794** (\$4.66/sq.ft.)
Cancellation	County at 4 years with 150 days notice	County after 5 years with 150 days notice	+ 1 year
Parking (included)	312 spaces	405 spaces	+ 93 spaces
Option to Renew	None	None	None
Rental Adjustment	CPI increases capped at 3 percent with no floor. Elimination of operating expense pass-through provision.	CPI increases capped at 3 percent with no floor.	None

* New Lease is comprised of 70,891 square feet of office space at existing rate of \$2.10 per sq. ft. per month.

** \$1,389,075 represents the maximum amount of reimbursable TI funds available for the project. If this entire amount is expended and amortized over 60 months at the rate of 7 percent, the annual TI reimbursement amount will be \$330,064 (\$0.39/\$4.66 per sq. ft. per month/annually). Includes annual base rent and annual reimbursement of Additional TI allowance.

**DEPARTMENT OF CHILDREN & FAMILY SERVICES
SPACE SEARCH - 7-MILE RADIUS OF 5100-5110 WEST GOLDLEAF CIRCLE, LOS ANGELES**

LACO	FACILITY NAME	ADDRESS	SQUARE GROSS	FEET NET	OWNERSHIP	SQUARE FEET AVAILABLE
A437	DCFS-WATERIDGE (SPA 6)	5100 W GOLDLEAF CIR, LOS ANGELES 90056	52,370	46,086	LEASED	NONE
A533	DCFS-KINSHIP 2-NORTH	5035 W SLAUSON AVE, LOS ANGELES 90056	5,788	5,200	LEASED	NONE
A430	ASSESSOR-WEST DISTRICT OFFICE	6120 BRISTOL PKWY , CULVER CITY 90230	30,507	27,456	LEASED	NONE
6722	PUBLIC LIBRARY-VIEW PARK LIBRARY	3854 W 54TH ST, LOS ANGELES 90043	6,983	6,130	OWNED	NONE
0014	PW ROAD-DIV #233/333/433 OFFICE/ GARAGE	5530 W 83RD ST, WESTCHESTER 90045	5,500	4,950	OWNED	NONE
3394	INGLEWOOD JUVENILE COURTHOUSE	110 E REGENT ST, INGLEWOOD 90301	21,538	13,371	STATE OF CA & COUNTY LA (PARTIAL)	NONE
6330	INGLEWOOD COURTHOUSE	1 E REGENT ST, INGLEWOOD 90301	140,673	89,483	STATE OF CA & COUNTY LA (PARTIAL)	NONE
5933	PH-CURTIS TUCKER PUBLIC HEALTH CENTER	123 W MANCHESTER BLVD, INGLEWOOD 90301	28,734	16,828	OWNED	NONE
B520	DPSS-IHSS TRAINING (PART TIME)	923 E REDONDO BLVD, INGLEWOOD 90302	40,000	27,898	OWNED	NONE
5708	PUB LIB-CULVER CITY JULIAN DIXON LIBRARY	4975 OVERLAND AVE, CULVER CITY 90230	21,406	17,364	OWNED	NONE
A242	DPSS-MEDICAL INGLEWOOD OFFICE / PUBLIC HEALTH	9800 S LA CIENEGA BLVD, INGLEWOOD 90301	59,069	56,016	LEASED	NONE
A448	DMH-CULVER CITY MENTAL HEALTH SERVICES	11303 W WASHINGTON BLVD, CULVER CITY 90066	15,980	15,181	LEASED	NONE
3776	CULVER CITY COURTHOUSE	4130 OVERLAND AVE, CULVER CITY 90230	21,568	11,543	OWNED	NONE
A378	DPSS-AIRPORT/WESTSIDE GAIN REGION I OFFICE	5200 W CENTURY BLVD, WESTCHESTER 90045	50,147	47,640	LEASED	NONE
6304	PROBATION-CRENSHAW AREA OFFICE	3606 W EXPOSITION BLVD, LOS ANGELES 90016	19,112	14,020	OWNED	NONE
X301	LOS ANGELES AIRPORT COURTHOUSE	11701 S LA CIENEGA BLVD, LOS ANGELES 90045	292,000	157,380	FINANCED	NONE
X020	BEACHES/HARBORS FORMER COVE BUILDING	13535 MINDANAO WAY, MARINA DEL REY 90292	9,276	8,812	OWNED	NONE
5276	PH-DR RUTH TEMPLE PUBLIC HEALTH CENTER	3834 S WESTERN AVE, LOS ANGELES 90018	29,023	16,627	OWNED	NONE
A338	DCFS-COMPTON WEST (SPA 6)	11539 S HAWTHORNE BLVD, HAWTHORNE 90250	31,832	27,057	LEASED	NONE
4704	PUBLIC LIBRARY- HAWTHORNE LIBRARY	12700 S GREVILLEA AVE, HAWTHORNE 90250	16,949	16,174	OWNED	NONE
A441	PROBATION-DAY REPORTING CENTER	5811 S SAN PEDRO ST, LOS ANGELES 90011	10,570	10,213	LEASED	NONE
A551	DPSS-WFP&I & SOUTH REG IV IHSS/ ADULT SERVICES	12000 HAWTHORNE BLVD, HAWTHORNE 90250	132,996	106,397	LEASED	NONE
A557	DPSS-ADULT PROTECTIVE SER/ CHILD CARE CT	4300 W 120TH ST, HAWTHORNE 90250	7,500	6,750	LEASED	NONE
4835	BEACHES/HARBORS- ADMINISTRATION BUILDING	13837 FIJI WAY, MARINA DEL REY 90292	14,126	8,848	OWNED	NONE
Y150	EXPOSITION PARK BUILDING & PARKING STRUCTURE	3965 S VERMONT AVE, LOS ANGELES 90037	66,484	55,228	OWNED	NONE
A436	DPSS-EXPOSITION PARK FAMILY SERVICE CENTER	3833 S VERMONT AVE, LOS ANGELES 90037	127,511	110,500	LEASED	NONE
A643	SOUTH L.A. COUNTY ADMINISTRATION BUILDING	8300 S VERMONT AVE, LOS ANGELES 90044	210,000	195,501	LEASED	NONE
B320	PUBLIC LIBRARY- WISEBURN LIBRARY	5335 W 135TH ST, HAWTHORNE 90250	5,088	4,331	GRATIS USE	NONE
A528	DPSS-NEW RANCHO PARK DISTRICT OFFICE	11110 W PICO BLVD, LOS ANGELES 90064	69,450	59,033	LEASED	NONE
A673	DCFS-WEST LOS ANGELES (SPA 5) & WLA-MCMS	5757 WILSHIRE BLVD, LOS ANGELES 90036	35,548	29,923	LEASED	NONE
Y018	DOCKWEILER-LIFEGUARD HEADQUARTERS	8255 VISTA DEL MAR, PLAYA DEL REY 90293	5,919	5,647	PERMIT	NONE
X924	FIRE-LIFEGUARD OPERATIONS ADMIN HEADQUARTERS	2300 OCEAN FRONT WALK, VENICE 90291	11,394	9,474	PERMIT	NONE

AMENDMENT NO. 3 TO LEASE NO. 72222
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
5100-5110 WEST GOLDFLEAF CIRCLE, LOS ANGELES

This AMENDMENT NO. 3 to LEASE NO. 72222 ("Amendment" or "Amendment No. 3") is made, entered into and dated as of this _____ day of _____, 2013, by and between MULLROCK WATERIDGE, LLC, a California limited liability company ("Lessor"), and the COUNTY OF LOS ANGELES, a body corporate and politic ("Lessee").

RECITALS:

WHEREAS, that certain County of Los Angeles Chief Administrative Office Lease Agreement No. 72222 (the "Original Lease") was executed by and between W9/WLA Real Estate Limited Partnership, a Delaware limited partnership ("W9/WLA"), and Lessee on June 29, 1999, whereby W9/WLA leased to Lessee those certain premises containing approximately 52,849 rentable square feet of office space (the "Existing Premises") commonly known as Suite 200 and located on the second (2nd) floor of that certain building addressed as 5100-5110 West Goldleaf Circle, Los Angeles (the "Building"), for a Lease Term of ten years; and

WHEREAS, that certain First Amendment to Lease (the "First Amendment") was made and entered into between W9/WLA and Lessee on August 31, 1999, whereby the parties revised the rentable square footage of the Existing Premises to contain approximately 52,370 rentable square feet of office space; and

WHEREAS, that certain Memorandum of Commencement Date (the "Commencement Date Confirmation") was made and entered into between W9/WLA and Lessee on June 2, 2000, whereby the parties confirmed the Commencement Date; and

WHEREAS, that certain Memorandum of Tenant Improvement Costs ("TI Costs Confirmation") was made and entered into between W9/WLA and Lessee on June 2, 2000, whereby the parties confirmed the costs of the initial tenant improvements and the allowances provided to Lessee in connection therewith; and

WHEREAS, that certain Amendment No. 2 to Lease No. 72222 ("Amendment No. 2") was made and entered into between Lessor (as successor-in-interest to W9/WLA) and Lessee on March 19, 2013, whereby the parties extended the Lease Term by agreeing to an Extension Term (as defined therein) of seven years; and

WHEREAS, the Original Lease, First Amendment, Commencement Date Confirmation, TI Costs Confirmation and Amendment No. 2 are collectively referred to herein as the "Lease;" and

WHEREAS, Lessor and Lessee desire to (i) further extend the Lease Term, (ii) expand the Existing Premises as depicted on Exhibit A attached hereto, said space commonly known as Suite 100 and located on the first (1st) floor of the Building containing approximately 18,521 rentable square feet (the "Expansion Space"), and (iii) otherwise amend the Lease as set forth in this Amendment No. 3; and

WHEREAS, the terms of this Amendment No. 3 shall not become effective until such time that said Amendment is executed by all the parties herein,

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby deemed a contractual part hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the rents, covenants and agreements herein contained, Lessor and Lessee hereby covenant and agree to further amend the Lease as follows:

1. **DESCRIPTION OF PREMISES:** Effective as of the Expansion Space Commencement Date (as defined below), Paragraph 1A, PREMISES, of the Original Lease shall be amended to establish that the "Premises" shall mean and refer to the Existing Premises and the Expansion Space, collectively, and shall contain a new cumulative total of approximately 70,891 rentable square feet.
2. **SECOND EXTENSION OF THE LEASE TERM:** Paragraph 2, TERM, of the Original Lease and Paragraph 1, EXTENSION OF THE LEASE TERM, of Amendment No. 2 are hereby amended to extend the Extension Term, which is currently scheduled to expire on March 18, 2020, to expire upon the date that is seven (7) years after the date upon which the Expansion Space has been delivered to Lessee in Ready for Occupancy condition, as defined below (such date referred to herein as the "Expansion Space Commencement Date"). The period of time commencing on the Expansion Space Commencement Date and terminating on the last day of the seventh year following the Expansion Space Commencement Date shall be referred to herein as the "Expansion Space Term."
3. **RENT:** Effective as of the Expansion Space Commencement Date, but not retroactively, Paragraph 2, RENT, of Amendment No. 2 shall be deleted and replaced with the following:

"Lessee hereby agrees to pay as rent during the Expansion Space Term (as defined in Amendment No. 3), for both the Premises and the 405 parking spaces (for which 486 parking passes shall be issued) which Lessee is permitted to use pursuant to Paragraph 6 of Amendment No. 3, the sum of One Hundred Forty-Eight Thousand, Eight Hundred Seventy-One and 10/100 Dollars (\$148,871.10) per month, i.e., Two Dollars and Ten Cents (\$2.10) per rentable square foot of the Premises, per month ("Basic Rent"), subject to adjustment pursuant to Paragraph 4 of Amendment No. 3. Basic Rent payments shall be made by Lessee during the Expansion Space Term in accordance with the terms and procedures set forth in the last two (2) paragraphs of Paragraph 3, RENT, of the Original Lease."
4. **RENTAL ADJUSTMENT:** Effective as of the Expansion Space Commencement Date, but not retroactively, the entirety of Paragraph 3, RENTAL ADJUSTMENT, of Amendment No. 2 (other than the deletion therein of Paragraph 30, OPERATING COSTS, of the Original Lease, which deletion shall remain in full force and effect) is hereby deleted in its entirety and the following substituted therefor:

"Beyond the first year of the Expansion Space Term (as defined in Amendment No. 3), the Basic Rent shall be adjusted as follows:

CPI. Commencing upon the first anniversary of the Expansion Space Commencement Date, and upon each annual anniversary of the Expansion Space Commencement Date thereafter (the "Adjustment Date"), Basic Rent shall be adjusted by applying the CPI Formula set forth below. The "Basic Index" shall be the Index published for the month during which the Expansion Space Commencement Date occurs.

CPI Formula. The "Index" means the Consumer Price Index ("CPI") for all Urban Consumers for the Los Angeles-Anaheim-Riverside area, all items published by the United States Department of Labor, Bureau of Labor Statistics (1982-84=100). The "CPI Formula" means the Basic Rent set forth in Paragraph 3 of Amendment No. 3, multiplied by a fraction, the numerator being the Index published for the month immediately preceding the month during which the applicable Adjustment Date occurs (the "New Index"), and the denominator being the Basic Index. If the Index is changed so that the Index differs from that used as of the Expansion Space Commencement Date, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Expansion Space Term, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same results as would be obtained if the Index had not been discontinued or revised.

Illustration of Formula. The formula for determining the new Basic Rent shall be as follows:

$$\frac{\text{New Index}}{\text{Basic Index}} \times \$148,871.10 \text{ (Basic Rent)} = \text{Monthly Basic Rent}$$

Limitations on CPI Adjustment. In no event shall the monthly Basic Rent adjustment based upon the CPI Formula result in an annual increase greater than three percent (3%) per year of the Basic Rent.

In no event shall the monthly Basic Rent be adjusted by the CPI Formula to result in a lower monthly Basic Rent than was payable during the previous year of the Expansion Space Term."

5. **CANCELLATION:** Effective upon execution of this Amendment No. 3 by the parties hereto, the entirety of Paragraph 4, CANCELLATION, of Amendment No. 2 (other than the deletion therein of Paragraph 5, CANCELLATION, of the Original Lease, which deletion shall remain in full force and effect), is hereby deleted and the following is substituted therefor:

"Lessee shall have a continuous right to cancel this Lease as to all or any portion of the Premises, subject to the terms herein, at any time after the fifth (5th) year of the Expansion Space Term (as defined in Amendment No. 3) by providing Lessor not less than one hundred fifty (150) days prior written notice by Chief Executive Office letter. If Lessee elects to terminate this Lease as to less than the entire Premises, then the portion

of the Premises as to which Lessee elects to terminate this Lease must be reasonably marketable as a separate unit."

6. **PARKING:** Effective upon the Expansion Space Commencement Date, but not retroactively, the entirety of Paragraph 7, PARKING, of Amendment No. 2 (other than the termination therein of that certain County of Los Angeles Chief Executive Office License Agreement dated as of January 11, 2012, between Lessor and Lessee, which deletion shall remain in full force and effect), as well as Paragraph 4(c) of the First Amendment, shall be deleted and replaced by the following:

"During the Expansion Space Term (as defined in Amendment No. 3), Lessor shall provide four hundred five (405) unreserved, in-and-out parking spaces located within the parking structure(s) and lot(s) currently serving the Building Complex (the "Building Complex Parking Facilities"); in connection therewith, effective from and after the Expansion Space Commencement Date, all references in Paragraph 21, PARKING SPACES, of the Original Lease to the number 'two hundred eleven (211)' shall be deleted and replaced with the number 'four hundred five (405)'. In addition, Lessee shall have the right to four hundred eighty-six (486) parking passes during the Expansion Space Term (subject to the limitations contained in Paragraph 21, PARKING SPACES, of the Original Lease, notwithstanding the modifications contained herein) and, as a result, effective from and after the Expansion Space Commencement Date, the reference to 'two hundred forty-five (245)' in the third (3rd) sentence of Paragraph 21, PARKING SPACES, of the Original Lease shall be deleted and replaced with the number 'four hundred eighty-six (486)'."

"If applicable, any alternate parking structure (other than the Building Complex Parking Facilities) within or upon which Lessor requires Lessee to park during the Lessee's tenancy (other than on a temporary basis) is subject to review and consent by the Los Angeles County Department of Public Works. Parking of Lessee vehicles overnight at or in the Building Complex Parking Facilities will be allowed by Lessor. Previous references to parking in relation to the rentable square footage of the Premises are no longer applicable to the Lease (i.e., the 405 parking spaces and 486 parking passes to which Lessee are entitled under the Lease are not based upon the rentable square feet of the Premises) and, as such, effective from and after the Expansion Space Commencement Date, the first (1st) sentence of Paragraph 21, PARKING SPACES, of the Original Lease shall be deleted and replaced with the following: "Subject to Lessee's obligation to pay the rent described in Paragraph 3, RENT, of Amendment No. 3, Lessor shall provide for the use by Lessee and Lessee shall rent from Lessor during the Expansion Space Term (as defined in Amendment No. 3), four hundred five (405) off-street, unreserved parking spaces located in the Building Complex Parking Facilities (as defined in Amendment No. 3)."

7. **TENANT IMPROVEMENTS:** Effective upon execution of this Amendment No. 3 by the parties hereto, the entirety of Paragraph 8, TENANT IMPROVEMENTS, of Amendment No. 2 (other than the deletion therein of Paragraph 26, TENANT IMPROVEMENTS, of the Original Lease, which deletion shall remain in full force and

effect), and Paragraph 4(d) of the First Amendment are hereby deleted in their entirety and the following substituted therefor:

"Lessor, within a commercially reasonable period of time after Lessor's approval of the plans and specifications for the Improvements (as defined herein below), shall commence and complete work on the Improvements, and shall pay for the costs of the same up to a maximum cost of \$850,692.00, i.e., Twelve Dollars and Zero Cents (\$12.00) per rentable square foot of the Premises (the "Base Tenant Improvement Allowance"). The "Improvements" shall mean, collectively, certain improvements, alterations and/or additions to the Premises to be constructed pursuant to and in accordance with plans and specifications submitted to and approved by Lessor and Lessee; Lessor acknowledges that the Improvements may include, without limitation, the purchase of new furniture, fixtures and equipment for the Expansion Space. The Improvements will be performed by and under the authority of Lessor, or its authorized agent, and approved by a designated representative of Lessee's Chief Executive Office (which approval shall not be unreasonably withheld, conditioned or delayed). For purposes of the Lease the Expansion Space shall be in "Ready for Occupancy" condition upon "Substantial Completion of the Expansion Space;" the latter term defined as occurring upon the completion of construction of those portions of the Improvements in and for the Expansion Space, with the exception of any punch list items and any furniture, fixtures and equipment.

If the costs of the design, permitting and construction of the Improvements (the "Improvement Costs") exceed the amount of the Base Tenant Improvement Allowance, then Lessor shall apply, without notice from Lessee, up to a maximum of \$1,389,075, i.e., Seventy-Five Dollars and Zero Cents (\$75.00) per rentable square foot of the Expansion Space (the "Additional Tenant Improvement Allowance") against such excess Improvement Costs; provided, in no event shall Lessor be obligated to pay for any portion of the Improvement Costs in excess of the sum of the Base Tenant Improvement Allowance and the Additional Tenant Improvement Allowance. Lessor shall submit three bids for the architectural/engineering fees and construction of the Improvements, and furniture vendors, to Lessee for its review prior to award of the applicable contract(s).

The portion of the Additional Tenant Improvement Allowance so utilized shall be reimbursed by Lessee to Lessor by amortizing the same on a straight-line basis over the first sixty (60) months of the Expansion Space Term, plus interest at the rate of seven (7%) percent interest per annum, the amortized amounts of which (the "Amortized Payments") shall be paid by Lessee to Lessor on a monthly basis in the same procedure as the payment of Basic Rent set forth in Paragraph 3 of Amendment No. 3. Notwithstanding the foregoing, Lessee may at any time during the Expansion Space Term pay to Lessor in a lump sum an amount equal to all or a portion of the unamortized portion of the utilized Additional Tenant Improvement Allowance.

Any Improvements shall be in compliance with all applicable laws, codes, and ordinances, including the Americans with Disabilities Act (ADA)."

8. Lessor represents and warrants that each of the signatories for Lessor have the power and authority to execute this Amendment No. 3 upon the terms and conditions stated herein and Lessor agrees to indemnify and hold harmless Lessee from all damages, costs, and expenses which result from a breach of this representation.
9. Lessor and Lessee each hereby represents and warrants to the other that it (i) has had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment, excepting only The Muller Company which represents Lessor (the "Broker"), and (ii) knows of no real estate broker or agent (other than the Broker) who is entitled to a commission in connection with this Amendment.
10. In the event of a conflict between the terms and conditions of this Amendment No. 3 and the terms and conditions of the Lease, this Amendment No. 3 shall prevail. All other terms and conditions of the Lease shall remain in full force and effect.

[SIGNATURES CONTAINED ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Lessor has executed this Amendment No. 3, or caused it to be duly executed, and the County of Los Angeles by the order of the Board of Supervisors, has caused this Amendment No. 3 to be executed on its behalf by the Chairman of said Board and attested by the Clerk thereof on the day, month, and year first above written.

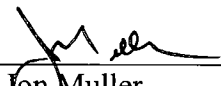
LESSOR

MULLROCK WATERIDGE, LLC,
a Delaware limited liability company

By: Mullrock Wateridge Mezz, LLC,
a Delaware limited liability company
its Member

By: Mullrock Wateridge JV, LLC,
a Delaware limited liability company,
its Sole Member

By: Muller-Wateridge LLC,
a California limited liability
company
its Manager

By: 
Name: Jon Muller
Title: Manager

ATTEST:

Sachi A. Hamai
Executive Officer-Clerk
of the Board of Supervisors

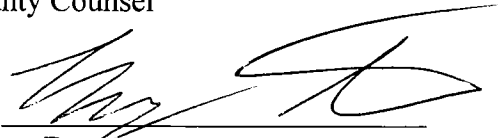
By _____
Deputy

LESSEE
COUNTY OF LOS ANGELES
a body politic and corporate

By _____
Supervisor Mark Ridley-Thomas
Chairman, Board of Supervisors

APPROVED AS TO FORM:

JOHN F. KRATTLI
County Counsel

By 
Deputy